3.504(b) Maximum of Equalized Value

The Undepreciated Replacement Cost (URC) arrived at under the Boeckh system shall not exceed $28,600 per bed for allowances calculated under these Methods. Where this maximum is exceeded, the Depreciated Replacement Cost (DRC) used to calculate equalized value will be adjusted proportionately.

This limitation can be expressed:

For Boeckh URC = The Boeckh Undepreciated Replacement Cost after Section 3.504(a) square footage adjustments;

Boeckh DRC = The Boeckh Depreciated Replacement Cost after Section 3.504(a) square footage adjustments;

URC = Allowable Undepreciated Replacement Cost (the lesser of Boeckh URC or $28,600)

the allowable Depreciated Replacement cost (DRC) is calculated as:

DRC = (Boeckh DRC/Boeckh URC) * URC

3.504(c) Calculation of Equalized Value

The equalized value (EV) is calculated as:

EV = DRC + .05 URC + .03 DRC

Where .05 of the allowable URC (from 3.504(b)) is the adjustment for the land value and .03 of the allowable DRC (from 3.504(b)) is the adjustment for land improvements.

3.505 Service Factor - Existing Facilities

The service factor for beds licensed before July 1, 1984 is 5.2%

3.506 Movable Equipment Allowance

A standard allowance of $.90 per patient per day will be used to reimburse all costs associated with movable equipment.

3.507 Property Insurance

The lesser of $.16 or actual cost per patient day will be used to reimburse property insurance costs. The per patient day amount will be calculated using the greater of 85.0% or actual occupancy based on average licensed beds during the cost report period.

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3.508 Property Payment Allowance - New Facilities, Replacement Facilities and Significant Licensed Bed Increases After July 1, 1984.

As a component of the April 1, 1986, to June 30, 1986 reimbursement, the Property Payment Allowance for new facilities and facilities with significant licensed bed increases will be a per patient per day amount based on the service based value of the facility as defined below. The intent of this allowance is to reimburse the provider for the value of the services rendered by an efficient, economic physical plant. This allowance, while relying on a commercial valuation based on an individual facility's characteristics, is not based on the actual costs of the individual facility, thereby providing an incentive to incur actual costs equal to or less than the service based value.

In determining whether an increase in licensed beds is "significant", the definition from section 1.303 of the 1985-86 Methods will be applied.

3.509 Service Based Value - Newly Licensed Facilities, Total Replacement Facilities, Significant Licensed Bed Increases

The service based value is a per patient per day amount based on an imputed equalized value, as limited by a maximum, and a service factor determined by the Department. The service factor when applied to the equalized value produces the basic component of the property allowance. A standard per patient per day amount to reimburse all costs associated with movable equipment, a per patient per day allowance for property insurance costs and an allowance for amortization of the imputed "soft costs" of construction will be added other basic component to form the service based value.

The service based value (SBV) can be expressed as:

For SF = the service factor from section 3.512
EV = the equalized value from section 3.511
OCC = the occupancy rate from section 3.510
ME = the standard allowance for Movable Equipment costs from section 3.513.
PI = the Property Insurance allowance from section 3.514
SC = the soft cost allowance from section 3.515

then:

$$SBV = ([SF*EV]/[OCC*365]) + ME + SC + PI$$

3.510 Occupancy Rate - Newly Licensed Facilities, Total Replacement Facilities, Facilities with Significant Licensed Bed Increases

In calculating the service based value for total replacement facilities, a uniform occupancy rate of 94% will be used to calculate the basic component.

In calculating the service based value for newly licensed facilities

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and facilities with significant bed increases, the occupancy as allowed under sections 4.320 and 4.420 of the July 1, 1985 Methods of Implementation will be used for the twelve month start-up period. After completion of the start-up period, the 94% standard occupancy will be applied.

3.511 Equalized Value - Newly Licensed Facilities, Total Replacement Facilities, Facilities with Significant Licensed Bed Increases

The equalized value will be derived from the E.H. Boeckh Commercial Valuation System as modified by the Department to recognize land and land improvements. This value will not be modified due to any recent sales price, due to market value determined by a certified appraisal on behalf of the facility, or by the assessed value on the property tax rolls.

The total value of the facility will be the sum of the values determined for the separate sections of the facility. The value per bed will be the total value divided by the total licensed beds.

3.511a) Allocations of Square Footages

The value derived from the Boeckh valuation will be adjusted to exclude areas not related to routine services. To the extent possible, this adjustment will be based on the square footages used in the Boeckh valuation. Adjustments will not be made if the total square footage of such areas is less than one percent (1%) of the gross floor area.

3.511(b) Maximum on Equalized Value

The Undepreciated Replacement Cost (URC) arrived at under the Boeckh system shall not exceed $28,600 per bed for allowances calculated under these Methods. Where this maximum is exceeded, the depreciated replacement cost used to calculate equalized value will be adjusted proportionately. This limitation can be expressed:

For Boeckh URC = The Boeckh Undepreciated Replacement Cost after section 3.511(a) square footage adjustments;

Boeckh DRC = The Boeckh Depreciated Replacement Cost after section 3.511(a) square footage adjustments;

URC = Allowable Undepreciated Replacement Cost (lesser of Boeckh or $28,600)

The allowable Depreciated Replacement cost (DRC) is calculated as:

$$DRC = (Boeckh\ DRC/Boeckh\ URC) * URC$$

3.511(c) Calculation of Equalized Value

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The equalized value (EV) is calculated as:

$$EV = DRC + .05\ URC + .03\ DRC$$

where .05 of the URC (from 3.511(b)) is the adjustment for land value and .03 of DRC (from 3.511(b)) is the land improvement value allowed.

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3.512 <u>Service Factor - Newly Licensed Facilities. Total Replacement Facilities, and Facilities with Significant Licensed Bed Increases</u>.

For purposes of calculating a property payment allowance, a service factor as calculated in section 3.512(a) will be applied to the equalized value of:

(1) New building areas originally licensed on or after July 1, 1984, for facilities with significant licensed bed increases as defined in section 1.303 of the July 1, 1985 Methods of Implementation.

(2) New facilities defined under section 1.304 of the July 1, 1985 Methods of Implementation and licensed on or after July 1, 1984.

(3) Total replacement facilities as defined under section 1.305 of the July 1, 1985 Methods of Implementation and originally licensed on or after July 1, 1984.

A service factor of 5.2% will be applied to all other new construction.

3.512(a) <u>Service Factor for Newly Licensed Facilities Total Replacement Facilities and Facilities with Significant Licensed Bed Increases</u>.

Where a facility is first licensed from July 1, 1984 to June 30, 1985, the service factor will be a weighted average of 12.7% and 5.2% with the weighting based on the number of months between the month of licensure and January, 1986.

The equation for this weighted average is:

For A = the number of months between licensure and January, 1986, and
SF = The Service Factor;
Then: $$SF = ([240-A)/240]*.127) + ([A/240[*.052)$$

Where a facility is first licensed from July 1, 1985 to June 30, 1986 this same weighting procedure will be applied to factors of 11.9% and 5.2%. The resulting equation is:

$$SF = ([(240-A)/240]*.119) + ([A/240]*.052)$$

3.513 Movable Equipment Allowance - New, Replacement and Expanded Facilities

A standard allowance of $.90 per patient per day will used to reimburse all costs associated with movable equipment.

3.514 <u>Property Insurance - New Facilities, Replacement Facilities and Facilities with Significant Licensed Bed Increases</u>.

The lesser of $.16 or actual cost per patient day at the greater of 85.0% or actual occupancy based on average licensed beds during the cost report period will be used to reimburse property insurance costs. During the start-up period for newly licensed facilities and facilities withsignificant increase in licensed beds the minimum occupancy for start up periods will be

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applied per sections 4.320 and 4.420 of the July 1, 1985 Methods.

3.515 Soft Cost Factor

An additional allowance for certain construction related costs such as certificate of need costs and interest during construction will be calculated as a percentage of the undepreciated replacement cost as determined under section 3.511(b), limited to $28,600 and indexed to the year of initial licensure. The percentage will be 15 percent for facilities beginning service on or between July 1, 1984 and June 30, 1986. The resulting amount will be amortized over 20 years. The per patient per day amount will be based on the occupancy percentage used to calculate the basic component of the service based value.

This allowance applies only to new construction described under Section 3.508 that is, newly licensed facilities, total replacement facilities and the newly constructed sections of facilities with significant licensed bed increases.

The soft cost allowance (SC) for the period July 1, 1984 to June 30, 1986 can be expressed:

Where URC = The undepreciated replacement cost from Section 3.51(b) and
OCC = the occupancy rate as described in section 3.510;
F = indexing factor to year of initial licensure
Then: SC = (1/20) * F * ([.15*URC)/[Occ*365])

For new construction initially licensed during the period July 1, 1984 to June 30, 1985 the indexing factor (F) is. 9825. For new construction initially licensed during the period July 1, 1985 to June 30, 1986 the indexing factor (F) is 1.0000.

3.516 Departmental Authority for Interpreting Special Circumstances for Existing Facilities

The Department may treat a completely renovated facility as a total replacement facility if requested by the facility. Also, replacement beds constructed and licensed on or between July 1, 1984 and June 30, 1985 may be treated as new beds for calculation of the service based value. Such treatment of replacement beds shall not be treated as a reduction in existing beds. This authority will not existed to any facility or area licensed on or after July 1, 1985.

3.517 Significant Decreases in Licensed Beds On or After July 1985

When a facility significantly decreases its licensed bed capacity on or after July 1, 1985, and takes the de-licensed building area(s) out of use for nursing home services, then the property payment allowance will be recomputed in order to exclude those building areas.

3.518 Property Payment Allowance - State Centers for the Developmentally Disabled

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The property payment allowance for the state centers will be the capital allowance in effect for June 30, 1985.

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-- Schedule 16 --

OTHER REVENUES

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A. CAFETERIA & DIETARY REVENUE	Revenue	
1. Donated & Surplus Food Commodities	$	-- Amount included in food supply expense for donated/surplus commodities $
2. Dietary Supplies Sold.		-- Cost of dietary supplies sold (if known) $
3. Meals Sold To Employees.		-- Transfer To Schedule 25A, Line 10
4. Meals On Wheels - Meals On Heels . .		
5. Other Meals Sold		
5a. TOTAL DIETARY REVENUE	$	

B. MISCELLANEOUS SERVICES & MATERIALS	Revenue
6a. Private Pay Residents' Personal Laundry Services	$
6b. Other Laundry Services (Describe)	
7. Dry Cleaning Services.	
8. Sale of Personal Hygiene Items . .	
9. Transportation	
10. Beauty and Barber Shops.	
11. Gift Shop.	
12. Canteen and Snack Counter.	
13. Vending Machines	
14. Sale of Clothing	
15. Television and Radio	
16. Telephone and Telegraph.	
17. TOTAL MISCELLANEOUS SERVICES & MATERIALS REVENUE (Lines 6a to 16)	$

EXPENSES DIRECTLY ASCRIBABLE TO -OR- IDENTIFIABLE WITH REVENUE

(A) Related Direct Expense (If Known)	(B) Where is expense? --Cost Center Name--	(C) Schedule Number	(D) Line Number
$			

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OTHER REVENUES

C.	RENTAL REVENUE	Revenues
18.	Equipment Rental....................................	$
19.	Rental Of Nursing Home Space.....................	
20.	Rental Of Non-Nursing Home Space................	
21.	Parking...	
21a.	TOTAL RENTAL REVENUES.......................... (Lines 18 to 21)	$

DESCRIBE SOURCE OF RENTAL REVENUES		
What is rented?	Square Feet Rented	Services Provided For Rent

FOOTNOTE - Refer to the following schedules and their instructions regarding the allocation of expenses to the rented equipment or building space.
-- Schedules 25A and 25B - Allocation of General Service Expenses
-- Schedule 29 - Heating Fuel and Utility Expense
-- Schedule 40 - Allocation of Property Expense

D.	MAJOR REVENUE GENERATING ACTIVITIES ASSOCIATED WITH NURSING HOME PROVIDER	Revenues
22.	Another Title XIX Nursing Home Provider.........	$
23.	Hospital..	
24.	A Non-Title XIX Nursing Home Unit...............	
25.	A Non-Title XIX Residential Facility (CBRF).....	
26.	Room And Board Unit Or Structure................	
27.	Apartment Units.................................	
28.	Child Care Institution..........................	
29.	A School..	
30.	Outpatient Mental Health Clinic.................	
31.	Elderly Or Retarded Day Care....................	
32.	Elderly Home Care...............................	
33.	Farm..	
34.	Other Activities (Describe)	
35.		
36.		
37.	TOTAL REVENUES FROM OTHER MAJOR ACTIVITIES (Lines 22 to 36)	$

NOTE - For Section D, only report revenues here if the direct expenses, and the shared and indirect expenses associated with the revenue activity are reported in this cost report. See Schedule 4 for more details on the reporting of expenses or Section 700 of the "Instruction Booklet".

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-- Schedule 18 --

OTHER REVENUES

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E. SALES TO RELATED ORGANIZATIONS (Describe) — Revenues

38. $
39.
40.
41. TOTAL SALES TO RELATED ORGANIZATIONS .... $
(Lines 38 to 40)
(See and respond to footnote at line 64 below for above items)

F. INTEREST AND INVESTMENT REVENUE — Revenues

42. Invested Gifts and Grants. Revenues from invested gifts and grants funds - which are physically separate and not commingled with other funds. $
43. Working Capital. Revenue from invested funds which are regularily used to fund current cash needs.
44. Other. Revenue from invested funds ....
45. TOTAL INVESTMENT REVENUE .... $
(Lines 42 to 44)

46. FOOTNOTE - If total investment revenue exceeds $6000, then describe major investments (type, invested amount, purpose if any)

G. GAINS (LOSSES) ON DISPOSAL AND SALE OF ASSETS — Gain (Loss)

47. Land .... $
48. Land Improvements, Building, Fixed Equipment ...
49. Moveable Equipment ....
50. Transportation Vehicles ....
51. Investment Securities ....
52. Other Assets
53. TOTAL GAINS (LOSSES) ON DISPOSAL OF ASSETS ..... $
(Lines 47 to 52)

H. SUBSIDY GRANTS FOR GOVERNMENT SUBSIDIZED EMPLOYEES — Revenues

54. $
55.
56.
57. TOTAL GRANTS FOR GOVERNMENT SUBSIDIZED EMPLOYEES $
(Lines 54 to 56)
(Identify related salary expense on Schedule 8)

I. GRANTS, CONTRIBUTIONS, DONATIONS — Revenues

58. Donated Services (See Footnote 64 below) .... $
59. Donated Supplies and Materials (See Footnote 64)
60. General Donations And Contributions ....
61. Donor Restricted Funds Used For Current Operations (See Footnote 64 below)
62. TOTAL GRANTS, CONTRIBUTIONS, DONATIONS .... $
(Lines 58 to 61)

63. FOOTNOTE - Donor Restricted Funds Used For Plant Asset Purchases & Debt Retirement $
(Do not transfer to Schedule 11)

64. FOOTNOTE - For lines 58, 59, and 61 above. Attach a sheet describing items, amount of related expense reported in this cost report, and where the expense is reported in the cost report.

J. OTHER REVENUES (Describe) — Revenues

65. $
66.
67.
68.

69. TOTAL OTHER REVENUES .... $
(Lines 64 to 68)

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